



For : All Clearing Members
Date : April 19, 2017
Subject : Amendments to SCCP Rule and Operating Procedure on the Return of Contributions to the Clearing and Trade Guaranty Fund

Please be advised that on March 15, 2017, the Board of Directors of the Securities Clearing Corporation of the Philippines (SCCP) approved the following amendments to Rule 5.2 of its Revised Clearinghouse Rules and Clause 4.3.1.3 of its Revised Clearinghouse Operating Procedures.

Present Rule 5.2 Return of Required Contributions

"There shall be no return of cash contributions made by the Clearing Members to the Clearing Fund. The exception to this is the return of any excess collected as Initial Contribution required of new Trading Participants applying with the PSE or upon resumption of trading operations as stated in Rule 5.1.4."

Amended to read as follows:

Rule 5.2 Return of Required Contributions

"Contributions to the Clearing Fund shall be refunded to a Clearing Member in the following cases:

1. Any excess of the Initial Contribution required of new Trading Participants applying with the PSE or upon resumption of trading operations as stated in Rule 5.1.4, and
2. Upon cessation of business of the Clearing Member and/or upon termination of their membership with SCCP, provided that all liabilities of such Clearing Member at the time of termination, whether actual or contingent, shall have been satisfied or paid in full, and shall take into account any pending and previous applications of the Clearing Fund at the time of such termination."

Attached for your reference is *Annex A* showing the existing Rule and the proposed amendment thereto, as well as the rationale for the proposed amendment.

**Present Operating Procedure 4.3.1.3 SCCP Directive on the Non-Refundability of
the Clearing Members' Contributions**

"As part of the build-up plan of SCCP on the Clearing Fund, the SCCP Board approved the non-refundability of the monthly contributions by the Clearing Members, retroactively. Said contributions shall form part of the Clearing Fund, administered and accounted separately by the SCCP."

Amended to read as follows:

4.3.1.3 Return of the Clearing Members' Contributions

"Contributions to the Clearing Fund shall be refunded to a Clearing Member upon cessation of business of the Clearing Member and/or upon termination of their membership with the SCCP, provided that all liabilities of such Clearing Member at the time of termination, whether actual or contingent, shall have been satisfied or paid in full. The return of contributions shall be made after a reasonable processing time and shall take into account any pending and previous applications of the Clearing Fund at the time of such termination. Such contributions are administered and accounted separately by the SCCP."

Based on current research, most of the clearinghouses in the world allow the return of clearing members' contributions to the Clearing Fund upon cessation of business, such as clearinghouses in the US, Europe, Australia, Singapore, Malaysia, Thailand, Hong Kong, Korea, Japan and Taiwan. Thus, in order to align SCCP with global market practice, the subject amendments were passed.

Attached for your reference is *Annex B* showing the original Operating Procedure 4.3.1.3 governing the Return of Contributions, the proposed revisions thereto and the rationale for such revisions.

If you have any comments with regard to the proposed amendment to Rule 5.2 on Return of Required Contributions and Operating Procedure 4.3.1.3 on SCCP Directive on the Non-Refundability of the Clearing Members' Contributions, please submit same to the undersigned no later than April 27, 2017.

For your information and appropriate action.

Thank you.



Renee D. Rubio
Chief Operating Officer

Proposed Revision in the Rules and Rationale

Current Rule	Proposed Revision	Rationale
<p>Rule 5.2 Return of Required Contributions</p> <p>There shall be no return of cash contributions made by the Clearing Members to the Clearing Fund. The exception to this is the return of any excess collected as Initial Contribution required of new Trading Participants applying with the PSE or upon resumption of trading operations as stated in Rule 5.1.4.</p>	<p>Rule 5.2 Return of Required Contributions</p> <p>Contributions to the Clearing Fund shall be refunded to a Clearing Member in the following cases:</p> <ol style="list-style-type: none"> (1) Any excess of the Initial Contribution required of new Trading Participants applying with the PSE or upon resumption of trading operations as stated in Rule 5.1.4, and (2) Upon cessation of business of the Clearing Member and/or upon termination of their membership with SCCP, provided that all liabilities of such Clearing Member at the time of termination, whether actual or contingent, shall have been satisfied or paid in full, and shall take into account any pending and previous applications of the Clearing Fund at the time of such termination. 	<p>The proposed revision of Rule 5.2 reverses the original rule that CTGF contributions are non-refundable.</p> <p>Moreover, it more clearly outlines the two instances when the CTGF is refundable, and the revised Rule 5.2 adds a proviso that the amount of refund that a Clearing Member may receive will be net of any liabilities that the Clearing Member may have to the Corporation, and should take into account any pending and previous applications of the Clearing Fund at the time of the termination of the membership with SCCP.</p>

Proposed Revision in the Operating Procedures and Rationale

Current Operating Procedures	Proposed Operating Procedures	Rationale
<p>4.3.1.3 SCCP Directive on the Non-Refundability of the Clearing Members' Contributions</p> <p>As part of the build-up plan of SCCP on the Clearing Fund, the SCCP Board approved the non-refundability of the monthly contributions by the Clearing Members, retroactively. Said contributions shall form part of the Clearing Fund, administered and accounted separately by the SCCP.</p>	<p>4.3.1.3 Return of the Clearing Members' Contributions</p> <p>Contributions to the Clearing Fund shall be refunded to a Clearing Member upon cessation of business of the Clearing Member and/or upon termination of their membership with the SCCP, provided that all liabilities of such Clearing Member at the time of termination, whether actual or contingent, shall have been satisfied or paid in full. The return of contributions shall be made after a reasonable processing time and shall take into account any pending and previous applications of the Clearing Fund at the time of such termination. Such contributions are administered and accounted separately by the SCCP.</p>	<p>The proposed revision of Operating Procedure 4.3.1.3 reverses the original Operating Procedure that states that CTGF contributions are non-refundable.</p> <p>Moreover, it adds a proviso that the amount of refund that a Clearing Member may receive will be net of any liabilities that the Clearing Member may have to the Corporation, and should take into account any pending and previous applications of the Clearing Fund at the time of the termination of the membership with SCCP. It also states that the return of the contributions shall be made after a reasonable processing time, as the total liabilities have to be determined.</p>